

BEFORE THE DEPARTMENT OF TRANSPORTATION

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WASHINGTON, D.C.

**Computer Reservation System
Regulations -- Notice of Proposed
Rulemaking**

**Docket Nos. OST 97-2881,
OST 97-3014, OST 98-4775,
OST 99-5888**

COMMENTS OF TRAVEL TRANSACTION PROCESSING CORPORATION

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COMMENTS OF TRAVEL TRANSACTION PROCESSING CORPORATION

The following comments are filed on behalf of the Travel Transaction Processing ("Travel Transaction") Corporation, a new entity formed by Citigroup Venture Capital Equity Partners, L.P. and Teachers' Merchant Bank. Travel Transaction is scheduled to purchase Worldspan L.P. from its three airline owners later this year. The transaction is subject to financing, governmental approval and other conditions. Regardless, Travel Transaction is pleased to submit these comments on the basis of its recent and extensive examination of this industry.

Travel Transaction has reviewed this rulemaking carefully and is currently evaluating data regarding the effect the proposed regulations will have on Worldspan, the airlines and travel agents. Travel Transaction's Reply Comments will directly address many of the issues raised in the Notice, and may provide new information for the Department to consider in regulating this industry.

Travel Transaction does, however, have one general comment at this time on a broad policy question addressed in the Notice: whether the CRS regulations should continue. We think the answer is yes.

Comments

The pending sale of Worldspan by its airline owners is indicative of the aviation and CRS industries as a whole: carriers are returning to their core business and a series of gradual changes in CRS ownership, operation, technology and competition is occurring.

But these changes in the industry do not justify a wholesale elimination of the CRS regulations. While now may be a good time for the Department to examine the evolutionary changes in the industry, it is not the time to make revolutionary changes to the rules or cut out major portions of the regulatory fabric. Instead, the Department should take this opportunity to *look ahead* and anticipate what kind of rules will be needed to protect consumers and preserve competition in the future. It is not sufficient to simply state that the rules must be eliminated because the original reason for them (airline ownership) has gradually ceased. The Department should note that threats to competition, biased information to consumers and impediments to innovation can occur regardless of who owns a CRS. Indeed, the information in the Department's Notice of Proposed Rulemaking provides ample evidence that threats to competition continue to exist.

Accordingly, Travel Transaction takes the broad view that the regulations should be largely kept in place with a firm sunset date in the near future. During the next few years, the industry, the traveling public, travel suppliers and regulators will be able to adapt to and more carefully evaluate new technologies and business models. This period will allow the industry and regulators to better evaluate whether the regulatory framework should firmly sunset, be replaced, or augmented with changes.

Travel Transaction urges the Department to also consider the following points in making a decision regarding retention of the rules:

1. *Removing* the regulatory framework during this fragile time in the industry is unwise. CRS owners invest millions of dollars each year in new products and personnel to ensure competitive service. The economic assumptions built into this service are due to years of well-supervised competition and growth. Turning the regulatory blanket into a regulatory rug that is pulled out from the CRS's, airlines, and travel agencies is a dangerous disruption to this popular, mature but still evolving industry. Simply put, the Department has helped build a solid, highly-competitive and customer-oriented CRS industry. DOT should ensure system operators can continue to provide these orderly services in the future.

The best way to help system operators get to the future is to temporarily leave the rules in place and encourage owners to experiment with new technologies and business models (even international ones) through petitions to DOT for regulatory exceptions or allowances.

2. *Tinkering* with the rules can be equally unwise. Any changes must be done in a fair and uniform way: otherwise the government will be playing competitors off one another. There will be winners and losers not on the basis of ingenuity or market forces, but due to regulation. This can only lead to one result: tilted competition and anti-consumer behavior at time this industry can ill afford it.

Also, an overview of the current rules shows how truly non-severable they are. Each rule has been woven into the industry to create a sensible, well-supervised transaction from start to finish. Cutting holes in the regulatory blanket should yield to

efforts to patch those places where it has worn thin. For example, wholesale elimination of the prohibition on discriminatory pricing would have a detrimental impact on new entrants into the airline industry. Currently, small airlines are able to participate in CRS systems even though they do not generate the high volume of bookings that larger airlines do. If the prohibition on discriminatory pricing were eliminated, larger airlines would receive volume discounts, and prices would likely rise for smaller airlines. The result would be that new, smaller or low-cost airlines would be unable to participate in CRS's at all. This would greatly restrict consumer access to their fares and the ability of these carriers to compete nationwide.

Conclusion

Travel Transaction urges that the Department look forward in this rule making, not backwards. What is happening to this industry is more important than what has happened. In our reply comments, Travel Transaction will furnish the Department with new economic data that predicts how this industry will evolve, with special emphasis on ensuring the public receives unbiased data. It is in everybody's interest the traveling public continues to have the right set of regulations to ensure confident, fair and competitive air travel.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Craig Engle", written over a horizontal line.

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